

Data Rights in Services Contracting

DynCorp International



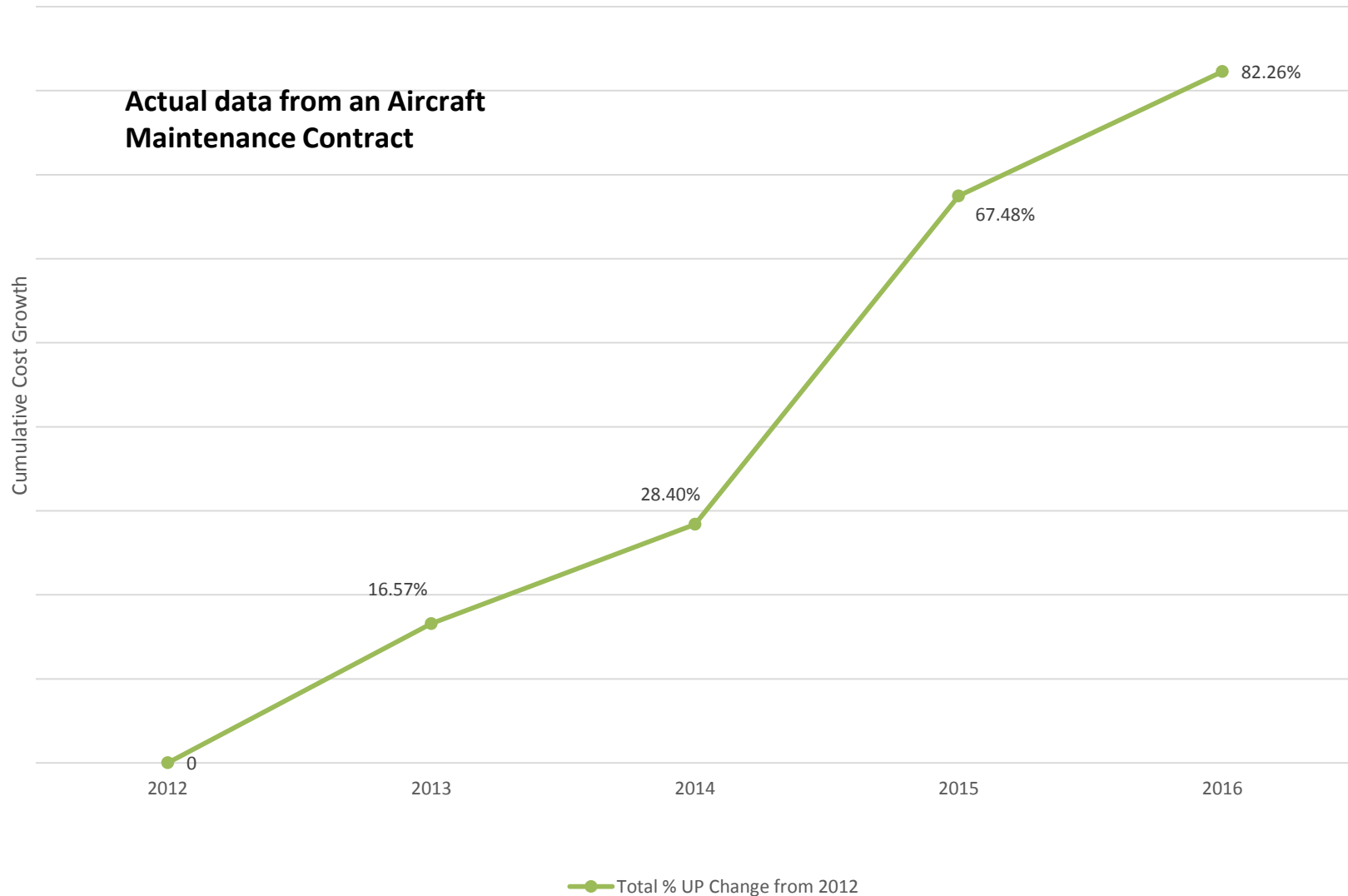
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Overview

- **Original Equipment Manufacturers (OEMs) charge licensing fees for data rights & intellectual property (IP) to other contractors as a way to recoup investment expenses and earn profit.**
- **This fee results in additional parts costs and general IP data rights expenses for programs, even on decades old platforms.**
- **The fee may be based on total contract value and/or relationship with the bidders.**
- **The sole source leverage offered by this arrangement has seen extraordinary price increases in recent years.**
- **In some cases, OEM's compete against service providers while controlling the IP and parts costs.**

Price Escalation Year Over Year (Cost Per Flight Hour)



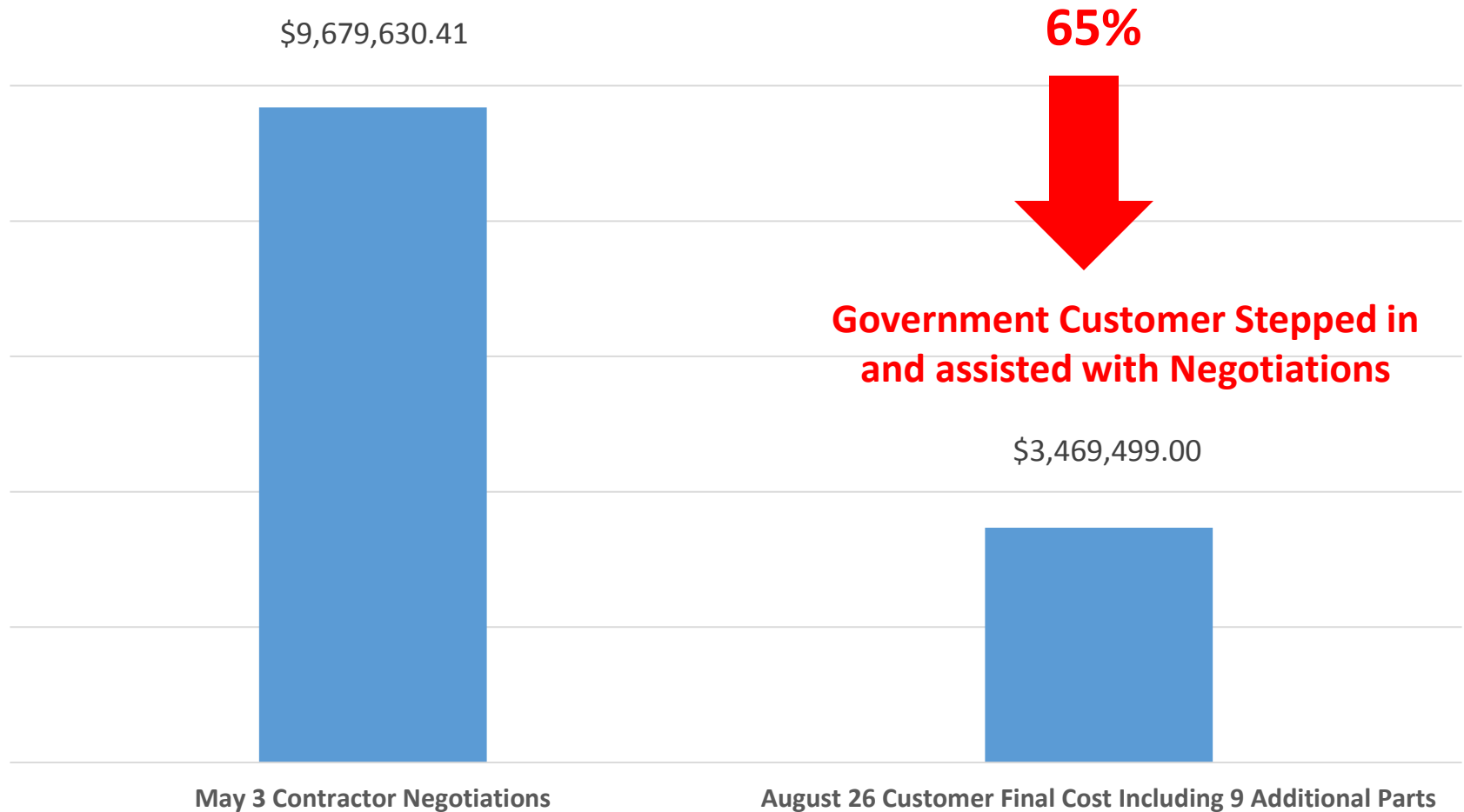
Top 10 Price Escalations from 2012 to 2016 (Cost Per Flight Hour)

| Description | 2012 WAVG UP | 2016 WAVG UP | % Diff from 2012 to 2016 |
|-------------------------------------|--------------|--------------|--------------------------|
| BOLT, CLEVIS | \$ 0.92 | \$ 62.22 | 6663.04 % |
| SPACER | \$ 1.31 | \$ 48.82 | 3626.72 % |
| WINDSHIELD WASHER ASSEMBLY,AIRCRAFT | \$ 1.15 | \$ 40.51 | 3422.61 % |
| PIN,STRAIGHT,HEADED | \$ 29.18 | \$ 528.73 | 1711.96 % |
| SPRING-BOX ASSY,HAND HOLD,LH | \$ 41.10 | \$ 573.91 | 1296.37 % |
| LOCK,RIM | \$ 2.47 | \$ 34.43 | 1293.93 % |
| HOSE ASSEMBLY,NONMETALLIC | \$ 180.51 | \$ 2432.09 | 1247.34 % |
| PANEL,ILLUMINATION | \$ 459.36 | \$ 6127.59 | 1233.94 % |
| PANEL,ILLUMINATION | \$ 394.14 | \$ 5197.86 | 1218.79 % |
| HOSE ASSEMBLY,NONMETALLIC | \$ 407.34 | \$ 5354.45 | 1214.49 % |

Top 10 Price Escalations from first year of purchase to 2016 (Over & Aboves)

| Description | WAVG UP of First Yr Purchased | 2016 WAVG UP | % Diff from 2012 to 2016 |
|------------------------------------------------|-------------------------------|--------------|--------------------------|
| LIGHT ASSY, KNEEBOARD | \$ 930.09 | \$ 6,185.36 | 565.03% |
| TRANSPARENCY,CANOPY, AFT ASSEMBLY | \$ 11,730.34 | \$ 38,259.32 | 226.16% |
| CANOPY,MOVABLE, FORWARD CANOPY ASSEMBLY | \$ 12,817.96 | \$ 41,768.27 | 225.86% |
| ELECTRONIC EQUIPMENT PANEL ASSY,BATTERY CB FWD | \$ 601.32 | \$ 1,954.55 | 225.04% |
| STRUT,AIRCRAFT | \$ 209.96 | \$ 647.00 | 208.20% |
| VENTRAL FIN ASSY | \$ 2,001.96 | \$ 4,893.27 | 144.42% |
| TIP,AIRCRAFT, CAP ASSEMBLY, LEFT | \$ 3,045.66 | \$ 6,891.51 | 126.27% |
| SEAL,PLAIN, FUEL CELL DOOR | \$ 72.20 | \$ 137.82 | 90.89% |
| WINDSHIELD ASSEMBLY,AIRCRAFT | \$ 13,612.705 | \$ 25,119.05 | 84.53% |
| EL PANEL, OBOGS | \$ 1,093.31 | \$ 1,327.27 | 21.40% |

Parts Price Negotiation



Negative Impacts

- **Increases costs to the Government**
- **Weakens the competitive market**

Not In the Best Interest of the Government

Proposed Solutions

- **Government negotiates directly with OEM for data rights and sole source parts costs – provides to competition as Government Furnished Property.**
 - Government has more leverage than contractor community since OEM's want to make future sales to same customers.
 - More effective & less expensive outcome for government to obtain data licenses due to non-disclosure requirements & government ownership of the aircraft

- OR -

- **Government establishes a separate Contract Line Item that is cost-reimbursable & excluded from Total Evaluated Price applied to bidders.**
 - Allows all bidders, including OEM's, to be placed on an equal footing in the evaluation process.
 - Government reimburses contractors for cost determined to be allowable in accordance with cost principles.
 - Government could still support winning contractor in negotiations to get best price for the taxpayer.